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RG
EWL,

PAPER WHICH WILL
FORM BASIS FOR OUR
DISCUSSION TOMORROW
MORNING AT 10:00 A.M.

RC GRAHAM

Thanks.
EWL



DEPARTMENT OF STATE

Washington, D.C. 20520

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SP- Will you be
attending? *di*
FRI., FEB. 20, 1981
10:00 A.M.

February 13, 1981

MEMORANDUM

TO: See Distribution List

FROM: Chairman of the Interagency Group
Acting Assistant Secretary of State
for Inter-American Affairs, John A. Bushnell

SUBJECT: Interagency Group Meeting on Argentina

I will chair a meeting of the Interagency Group (IG) on Argentina Monday, February 23 at 3:30 in the Department of State, room 6909 (ARA Conference Room). The IG will consider how and to what extent U.S. bilateral relations with Argentina can be improved to further U.S. interests.

The agenda will be:

- (1) Review of 1981 Action Plan for Improved Relations with Argentina.
- (2) U.S. Policy Toward Military Sales to Argentina:
The IG will seek to reach agreement on the question of what position the Administration should take with respect to the Humphrey-Kennedy Amendment prohibiting the sale of military training and equipment to Argentina. The IG will also discuss what we might seek from the GOA in connection with resuming arms sales to Argentina.

A paper on U.S.-Argentine Relations which discusses the agenda items being considered is enclosed.

Enclosure:

U.S.-Argentine Relations

cc: S/S-S:Ms. Lopez, Rm. 7241

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Argentina IG

ARA	-Mr. Bushnell, Rm. 6263
ARA	-Mr. Cheek, Rm. 6263
ARA	-Mr. Eaton, Rm. 6263
ARA	-Ms. Jaramillo, Rm. 6263
ARA/AND	-Mr. Hart, Rm. 5906
ARA/CEN	-Mr. Blacken, Rm. 4909
ARA/CHP	-Mr. Arenales, Rm. 6913A
ARA/ECP	-Mr. Eddy, Rm. 3234
ARA/RPP	-Mr. Jones, Rm. 5911
ARA/S	-Mr. Goddard, Rm. 6263
ARA/SC	-Mr. Service, Rm. 4908
ARA/SC	-Mr. Whitman, Rm. 4908
ARA/USOAS	-Mr. Thompson, Rm. 6494
ACDA	-Mr. McCleary, Rm. 5844
ACDA	-Ms. Watson, Rm. 4678
ACDA	-Dr. Rockland, Rm. 4678
ACDA	-Mr. Christopher, Rm. 4678
C	-Mr. McFarland, Rm. 7256
H	-Mr. McBride, Rm. 7251
H	-Mr. Drischler, Rm. 7261
HA	-Mr. Palmer, Rm. 7802
HA	-Mr. Graham, Rm. 7802
INM	-Mr. Knepper, Rm. 7538
INM	-Mr. Jim Buchanan, Rm. 7538
EB/IOA	-Ms. Montgomery, Rm. 2533A
EB	-Ms. Gold, Rm. 6826
P	-Mr. Vargas, Rm. 7240
PM	-Mr. Burt, Rm. 7814
PM/ISP	-Mr. Vunovic, Rm. 7814
PM/SAS	-Mr. Farber, Rm. 7814
S/P	Mr. Roche, Rm. 7311
S/P	-Ms. Purcell, Rm. 7330
L	-Mr. Michel, Rm. 6419
T	-Mr. Giese, Rm. 7280
EUR/SOV	-Mr. Shinn, Rm. 4217
L/ARA	-Ms. Armstrong, Rm. 5527A,
M/MO	-Mr. Munro, Rm. 7529,
AGRO	-Ms. Kerry Reynolds, Rm. 5546 South Bldg.
AGRO	-Mr. White, Rm. 5057 South Building
CIA	-Mr. J. Davis,
<div style="border: 1px solid black; height: 20px; width: 100%;"></div>	
COMMERCE	-Mr. Conger, Rm. 4031, 377-2332
<div style="border: 1px solid black; height: 20px; width: 100%;"></div>	
DOE-IA	-Ms. German, Forrestall Bldg. Mail Stop 7F301 Rm. 3H017, 1000 Independence Ave. NW Washington, DC 20585 252-6380

FOIA(b) (3) - 50 USC 3024(i) (1) - Intelligence Sources and Methods

DOD/ISA	-Mr. Kramer, Rm. 4E829 Pentagon, 694-1363
DOD/ISA	-Gen DeCamp, Rm. 4C800 Pentagon, 697-7588
EX-IM Bank	-Mr. Crafton, 811 Vermont Ave, NW, Washington, DC, 20571, 566-8978
ICA	-Mr. Dachi, Rm. 614, 724-9206
IDB	-Ms. Bradley, 808 17th Street, NW, Washington, DC, 20577, 634-8044
IMF	-Mr. Syvraurd, Exec. Dir. 700 19th St. NW Rm. 20431 Washington, DC 477-3067
JCS	-Latin American Branch Chief, Rm. 2D959
Labor-IA	-Ms. May, S-5015, 523-7571
NSC	-Mr. Fontaine, 862-5820 or 395-5694
NSC	-Mr. Nau, 862-5820 or 385-5694
OASD/ISA	-Mr. Neill, 79302
OES	-Amb. Pickering, Rm. 7831
OMB	-Mr. Dusault, Rm. 8201 NEOB
OPIC	-Mr. Farmer, Rm. 820
Treasury	-Ms. G. Hoar, 566-5396
Treasury	-Mr. Nachmanoff, Rm. 3222, 566-8243
US Trade	-Mr. Rosenbaum, 1800 G St. NW, Rm. 711, Wash, DC 395-5190
US Trade	-Mr. Lande, 1800 G ST. NW, Rm. 711, Wash, DC 395-5190

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U.S.-ARGENTINE RELATIONS

I. ISSUE:

How and to what extent can bilateral relations with Argentina be improved to further U.S. interests?

II. U.S. INTERESTS:

The United States has important strategic, political and economic interests in Argentina. We seek:

--cooperation on East-West issues and in collective hemispheric security;

--cooperation of one of the hemisphere's natural leaders on other matters of hemisphere and international concern;

--the development of a democratic and prosperous society which will serve as an example of the success of open political processes and a market economy;

--furtherance of our non-proliferation objectives;

--observance of human rights;

--continued access to Argentine markets and the protection of U.S. investments;

--regional peace and the settlement of territorial disputes such as the Beagle Channel.

III. ARGENTINE INTERESTS:

From its perspective, Argentina seeks:

--restoration and preservation of internal order through the suppression of terrorism;

--restoration of prestige and increased influence in the hemisphere and internationally;

--realization of its economic potential through redirecting its economy in a competitive, market-oriented way, reduced inflation, and the expansion of its international markets;

--achievement of nuclear independence and maintenance of a nuclear explosives option;

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--avoidance of condemnation for human rights violations which the GOA sees as challenging the government's legitimacy; and

--stable, conservative governments on its borders and elsewhere in the hemisphere.

IV. BACKGROUND

U.S.-Argentine relations have been strained since 1976. Argentina has emphasized the restoration and preservation of order and security internally and on its borders; the U.S. has focused on the elimination of human rights abuses. Argentina, needing markets for its agricultural products, has suppressed ideological differences with Soviet Bloc trading partners; the U.S. has sought unsuccessfully to gain Argentine cooperation to restrict grain shipments to the USSR because of Afghanistan. Argentina, for perceived security interests and international prestige, has sought to maintain a nuclear explosives option and develop a nuclear supplier role with non-nuclear states; the U.S. has sought to condition the transfer of nuclear technology on the acceptance of full-scope safeguards because of our non-proliferation concerns. Argentina wants to purchase advanced weapons systems, again to meet perceived security interests and for international prestige; the U.S. has embargoed such sales because of human rights and a desire for military balance in the Southern Cone. Thus, despite a desire on both sides for improved bilateral relations, basic differences in national priorities have resulted in continued friction and have imposed limitations on steps to improve relations.

As a result of joint efforts to develop a constructive dialogue on important issues, bilateral relations have improved since late 1979, particularly in tone. In May 1980, the Interagency Group for Latin America developed a strategy to achieve better balance in our relations with Argentina. The strategy was adopted in recognition of human rights improvements and to help deflect the Argentines from too close a relationship with the Soviets. Before the strategy could be fully implemented, Argentina became heavily involved in supporting the new Bolivian regime and the initiatives were postponed. Argentine refusal to cooperate in the grains embargo beyond October 1980, and the U.S. transition, led to further postponement.

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There is now a sense of expectation within both countries that changes in the two administrations will lead to improved bilateral relations. Argentina sees the new U.S. administration as being more sympathetic toward Argentine concerns over terrorism and less inclined to "interfere" in its internal affairs with accusations of human rights violations. President-designate Viola, who assumes office March 29, seems favorably disposed to taking steps to improve U.S.-Argentine relations.

The principal areas of policy disagreement are:

A. East-West Relations

As part of its probings in Latin America, the Soviet Union has courted Argentina, seeking to expand its political and economic influence. Argentina has responded because of a strong interest in Soviet trade, Soviet support in international fora on human rights, and the possibility of obtaining nuclear supplies on less stringent terms. However, Argentine leaders emphasize repeatedly their basic pro-West sympathies and orientation.

Argentina's relations with the Soviet Union are primarily economic in nature. Most important has been Argentina's agricultural trade which rose markedly as a result of the partial U.S. grains embargo (the Soviet Union, which accounted for 10% of Argentina's grains exports in MY 1978/1979 and 50% in 1979/1980, will purchase about 80% of total Argentina grain exports in this marketing year, equivalent to roughly 20% of Argentina's foreign exchange earnings). Argentine failure to cooperate with the partial grains embargo was based primarily on economic self-interest, including the assessment that it would impose a disproportionate burden on Argentina compared to other major grain exporting countries since agricultural products made up a greater percentage of Argentine exports. Strained U.S.-Argentine relations over human rights and non-proliferation were also factors. From the Argentine perspective, the U.S. offered little in return for a request of such far-reaching economic and political impact.

Argentine-Soviet political cooperation has focused primarily in multilateral fora. The two countries have agreed to increase consultations prior to UNGA sessions and to support each other, especially on human rights. However, no broader patterns of political cooperation have emerged. Argentina has sought to maintain balance in its relations with the Soviets

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by condemning the Soviet invasion of Afghanistan, supporting the Olympics boycott, and building its relations with China. Moreover, despite repeated Soviet probings and a massive trade surplus, there is no evidence Argentina is considering the purchase of Soviet military equipment and training at this time.

B. Human Rights

Human rights has been the principal issue affecting U.S.-Argentine relations since 1976. Because of our concern over human rights, the United States until late 1979 maintained cool and distant relations with Argentina, restricting high-level visits, and political, economic and military cooperation, while adopting a strong position publicly and in international fora condemning Argentina for human rights abuses. While bilateral relations have improved, the Humphrey-Kennedy Amendment, prompted by human rights violations, prohibits military aid and the sale of equipment and training to the Argentine Armed Forces. This is the most important single road-block from the Argentine viewpoint. We have also continued to oppose through abstention loans to Argentina in the World and Inter-American Development Bank which do not satisfy "basic human need" criteria.

As terrorism has been brought under control, the scale of human rights violations has diminished. Disappearances continue to be recorded, although at much reduced levels from earlier years (there were 12 confirmed disappearances last year, and reports of 28 or more). Argentine officials have given us private assurances that disappearances would cease, but apparently known terrorists continue to be dealt with summarily. There is no current prospect that the GOA plans to respond positively to pleas for information about the fate of the thousands of people who have disappeared since 1976.

About 900 persons are being held in Argentine jails on other than common criminal charges; 550 of these continue to be held without charges under state of siege provisions (so-called PEN prisoners). The Argentine courts have been unable to preserve judicial independence; tribunals conduct their hearings in secret and defendants have access only to a military defense counsel who usually is not a lawyer.

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C. Non-Proliferation and Nuclear Cooperation.

Argentina has avoided commitments which would impose full-scope safeguards (FSS), i.e., safeguards on indigenous nuclear facilities as well as those furnished by other countries, and on future facilities as well as present ones. (All of Argentina's nuclear power reactors are under safeguards, but Argentina has made no commitments for its reprocessing plant or for other possible indigenous nuclear facilities.) Argentina has rejected the Non-Proliferation Treaty, asserting that it discriminates against non-nuclear weapons states by imposing unequal obligations on them. However, Argentina has signed the Treaty of Tlatelolco which prohibits the acquisition of nuclear weapons and has given repeated assurances that it intends to ratify. Our view is that the Treaty precludes peaceful nuclear explosions, a view with which the GOA does not agree. There is no indication Argentina is developing nuclear weapons.

The U.S. and Argentina have had a bilateral agreement since 1969 governing overall nuclear cooperation. Responding to the requirements of the 1978 Nuclear Non-Proliferation Act, the U.S. has asked for additional safeguards assurances in order to export enriched uranium under the 1969 agreement for two of Argentina's research reactors. These negotiations are nearing a successful conclusion, with the remaining differences centering around safeguards on indigenously produced uranium dioxide, the basic fuel for Argentina's power reactors; agreement on this issue is expected this month. We have been able to continue cooperation in the export of nuclear components since it is handled under a separate section of the NNPA than is nuclear fuels. Argentina recently supplied the assurances necessary to permit the export of \$6 million worth of nuclear components from the U.S. to West Germany for future retransfer to Argentina. We are attempting to encourage continued cooperation in this area and are considering joint high level nuclear consultations sometime this spring.

The Soviet Union in 1980 offered to sell enriched uranium to Argentina for its research reactors, and the two countries recently signed an agreement for the provision under IAEA safeguards of heavy water for use in Argentina's nuclear facilities. The Soviets also continue to provide equipment to the Argentine nuclear industry and there have been high-level exchanges between Argentine and Soviet nuclear officials.

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D. Military-to-Military Relations.

Because of human rights concerns, IMET training programs, the sale of training under FMS, and military supplies to the GOA (FMS and Munitions List items) are prohibited by the Humphrey-Kennedy Amendment. In addition, under current policy, the U.S. Executive limits sales of non-Munitions List items to the Argentine military and the police through the Commerce export control licensing system. In order to transfer military equipment and training, either:

--the Humphrey-Kennedy Amendment would have to be rescinded or modified; or

--the President would have to determine that sales and/or training is "vital" (FMS) or "important" (IMET) to U.S. security interest.

Section 108b of the 1980 International Security Development and Cooperation Act calls for a review of Humphrey-Kennedy with regard to whether it might be modified to permit the export of items on the Munitions Control List that have a direct civilian application. A report with recommendations is required by April 15.

There are strategic and economic interests which support the sale of military aircraft and spare parts. The Argentines have told us they intend to place major orders beginning June 1981.

U.S. arms sales policy toward Argentina must also take into account the strategic balance in the Southern Cone, with particular reference to the still unresolved Beagle Channel dispute with Chile. Willingness to lift the sanctions on Argentina without comparable action toward Chile could postpone peaceful settlement and increase the danger of Argentine resort to force.

V. ISSUES AND OPTIONS

In connection with improved relations, we may be able to achieve all or substantially all of the following objectives:

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A. Human Rights

- Ending disappearances, thus contributing to the re-establishment of due process;
- Some acceleration in the release of PEN prisoners.

B. East-West and Hemispheric Security Issues

- Resuming military-to-military cooperation, even if initially limited, would foster Argentine cooperation on hemispheric and East-West issues while deflecting it from a closer relationship with the Soviet Union.

C. Nuclear Matters

- Final action on the long-delayed ratification of Tlatelolco; and
- Argentine interim acceptance of safeguards on all indigenous nuclear facilities and materials.

There is much less prospect for near-term progress on the next two issues:

D. Bolivia

- It is unlikely we can get the Argentines to do more than counsel moderation on current leaders, and when opportunity arises, support more responsible military leadership.

E. Partial Grains Embargo

- Barring a major new escalation in East-West confrontation (such as over Poland) we see little chance that the Argentines will restrict grain shipments to the Soviets this year. Most shipments will be completed by June. If U.S.-Argentine relations improve and the boycott continues in effect, there may be greater chances for Argentine participation next year.

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Proposed Action Plan for 1981

A logical starting point would be high-level talks with President-designate Viola if he comes to Washington in the next few weeks, followed by Washington representation at the Viola inauguration March 29. We would indicate our interest in the five items above. We also would take advantage of the U.S. Army Chief of Staff's planned visit in April to consult on East-West and other issues and we will want to follow up on Embassy Buenos Aires' suggestion for high level nuclear consultations in the spring.

The plan would be implemented as follows:

--Signing the Agricultural Cooperation Agreement. USDA will conclude the agreement in March.

-- An invitation to an Argentine guest instructor to the U.S. Army School of the Americas. Consultations with the Congress have been completed and have been favorable. DOD will determine the timing of the invitation.

-- U.S. Army Chief of Staff Visit, April 5-11. We should expand the scope of the visit to include consultations on the current situation in Poland and other East-West issues. The visit would follow up our earlier consultations on Poland and further lay the groundwork should we need to ask Argentina to take some action following a Soviet invasion.

-- Mixed Economic Commission, May 4-7. An agenda is being worked out with the GOA.

-- High Level Nuclear Consultations. The talks have been tentatively proposed during the period April-June in Washington and would follow up last year's consultations on global and bilateral nuclear issues.

--The first round of periodic security consultations focusing on security of the South Atlantic. These talks would highlight the critical strategic implications of the South Atlantic and create interest in cooperation for its defense. DOD will develop an agenda and propose dates.

--Periodic policy talks on global and hemispheric issues. We will exchange views on global issues and explore ways to promote mutually beneficial policies. The agenda would include human rights policies, East-

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West and Hemispheric cooperation, and international issues such as Antarctic cooperation and the transfer of arms and technology. ARA will develop an agenda and propose dates.

--A High Level Military Visit. DOD will propose timing and extend an invitation to a senior Argentine military leader, such as the Argentine Army CINC or Chief of Staff.

Issue. Should items be added or removed from this plan?

U.S. Policy Toward Military Sales

Issue A: What position should the Administration take with respect to the Humphrey Kennedy Amendment?

The sale of military training and equipment is prohibited by the Humphrey-Kennedy Amendment (Section 620B of the Foreign Assistance Act). Resumption of sales would thus require either rescission of the amendment, use of the highly restrictive waiver authority, or amendment to limit its scope. Passed in reaction to the serious human rights situation which existed in 1977-1978, the Humphrey-Kennedy Amendment has become a symbol for many which transcends the basic Argentine human rights issue itself. For human rights groups and other NGOs, as well as for many in the U.S. Congress, Humphrey-Kennedy is symbolic of the U.S. commitment overall to human rights. On the other hand, the GOA sees the amendment as the core of hostile U.S. policy toward Argentina.

Option 1. Mount a major effort to obtain Congressional repeal of Humphrey-Kennedy.

PRO:

- Such an effort would be consistent with the long-standing Executive Branch position on this type of restrictive amendment.
- Repeal would remove the most onerous irritant in our bilateral relations and thus improve the prospects for Argentine cooperation on other outstanding issues.
- Hemispheric security cooperation is a major

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U.S. interest in its own right and should not be tied to other objectives, e.g. human rights.

- Even on human rights, Humphrey-Kennedy restricts our flexibility to respond to improvements as they occur.
- Because the human rights situation has improved substantially over the past two years, the original justification for Humphrey-Kennedy is no longer valid.
- Military sales could amount to several billion dollars over the next 12-18 months. Humphrey-Kennedy has not resulted in restrictions on arms availability to Argentina; European suppliers and Israel have been willing to fill the gap.

CON:

- An effort to repeal Humphrey-Kennedy may not succeed, particularly in the House, and will serve to rally the human rights lobby against the Administration's foreign policy more generally.
- Repeal without more substantial human rights improvements than have occurred to date will carry long-run costs in terms of our relations with the civilian democratic elements we are trying to encourage and which will eventually reassume power.
- Repeal of Humphrey-Kennedy may not maximize our influence on Argentine policy, particularly with respect to East-West issues. Making use of expanded or existing waiver authority, while retaining Humphrey-Kennedy as an incentive, could prove more effective.

Option 2. Seek amendment of Humphrey-Kennedy to make provision for a Presidential waiver (less stringent than the world-wide authority in Section 614 that FMS be "vital" to U.S. security), and by eliminating the proscription on munitions control list items. (The International Security Cooperation Act requires a report to the Congress by April 15 on whether Humphrey-Kennedy should be modified.)

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PRO:

- We would use the Congressionally mandated report to recommend expansion of the waiver authority as well as reducing items on the Munitions Control List. That approach would be more likely to obtain passage in both houses.
- Seeking amendment would be less likely to mobilize the human rights lobby.
- This option would be less damaging to our future relations with domestic opposition groups in Argentina.
- The practical effect in terms of arms or training supplied could be identical as in Option 1 (repeal).
- We would preserve human rights as an important, if no longer the dominating, concern in US.-Argentine relations.
- We would still be able to hold out the prospect of ultimate repeal as an incentive to closer cooperation in the interim.

CON:

- This approach would be viewed by the GOA as a half-hearted commitment to improving relations and therefore unlikely to result in any significant change in current policies.
- With Humphrey-Kennedy still on the books, the GOA is unlikely to buy from the U.S. except in the case of equipment for which there is no alternative supplier.

Option 3. Make use of existing waiver authority without seeking either expanded authority or repeal. (The 1981 International Security Cooperation Act permits the President to authorize FMS sales if they are "vital" to U.S. security interests).

PRO:

- There would be no legislative lobbying effort required.

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PRO:

- Disappearances are the single most serious human rights problem remaining. A commitment to end disappearances would remove the principal human rights objection to resuming the military supply relationship. It probably is a feasible commitment for Viola to make.
- The war against terrorism has largely been won; thus, there is no justification, militarily or politically, for continuing the practice. A GOA commitment therefore could be given at little cost and be a major step in the restoration of due process.
- The military supply relationship is our strongest leverage for improvements with respect to human rights objectives.
- Continuance of the trend to due process is essential to the process of Argentina's regaining its own self-respect and prestige and achieving the positive leadership in Latin America it has the potential for.
- Making this a condition for restoring the supply relationship would strengthen Viola in negotiations within the Argentine military.

CON:

- Our strategic, Hemispheric and commercial concerns outweigh our remaining human rights concerns.
- Even the military supply relationship is not likely to give us enough leverage to attain an end to disappearances in the near future, beyond the rate at which the GOA would proceed in any event.
- The logic of U.S. policy over the past year is that human rights improvements are more likely to come about as the result of improved relations rather than sanctions.

Option 2: In resuming arms sales, we would tell GOA officials that this important step in improving relations is taken with the expectation that

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- Our human rights concerns would be preserved as a major factor in U.S.-Argentine relations, with possible long-term benefits to our relations with democratic opposition groups.
- We would still be able to meet our major strategic concerns, e.g. P-3 reconnaissance aircraft, while not contributing to an arms race between Chile and Argentina.

CON:

- Humphrey-Kennedy would remain as a major irritant in our bilateral relations.
- This approach is very unlikely to result in any military equipment sales, and therefore will foster Argentine long-term reliance on European and other suppliers.
- We would have very limited leverage with the GOA on other issues.
- A Presidential waiver would be hard to justify under current very restrictive language, and in light of remaining human rights problems in Argentina.

Issue B: What should we discuss on human rights with the GOA in connection with resuming arms sales?

Option 1. Seek a firm commitment to end summary executions and disappearances, thus taking a major step toward reestablishment of due process. Most disappearances are connected with GOA counter-terrorist activities directed against Montonero terrorists based abroad seeking to infiltrate terrorist squads back into Argentina. GOA officials have told us privately that, while the practice of disappearances has ceased in general, summary methods will continue to be used with terrorists. Thus we would need a commitment to use due process in these cases as well. We should recognize there might still be occasional disappearances (or deaths at hands of security forces) because of lack of full control over the process, but the number would be small and declining, and we would seek a government accounting in these cases.

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disappearances will cease and other human rights violations diminish.

PRO:

- Human rights improvements are more likely to come about as the result of improved relations rather than sanctions.
- Our strategic, Hemispheric and commercial concerns outweigh our remaining human rights concerns.
- Hemispheric security and reducing the attractiveness of Soviet overtures in a variety of fields are major U.S. interests in their own right and should not be tied to other objectives.
- Even the military supply relationship is not likely to give us enough leverage to attain an end to disappearances in the near future, beyond the rate at which the GOA would proceed in any event.

CON:

- We would be giving away our biggest bargaining chip for human rights improvements in advance.
- Without making a pitch on disappearances, the GOA may interpret this major change in U.S. policy as license to resume human right abuses.
- A change in policy without human rights improvements would cost us influence with the civilian democratic elements we are trying to encourage and which eventually will reassume power.

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Cleared:ARA/ECP:JEddy
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ARA/PPC:LEinaudi
ARA:SDEaton
ARA:JABushnell

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